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ANNUAL REPORT



MARCH 2, 1945

CONTAINER CORPORATION OF AMERICA

MILLS CARTHAGE, INDIANA
CHICAGO, ILLINOIS
CINCINNATI, OHIO (leased)
CIRCLEVILLE, OHIO
FERNANDINA, FLORIDA
PHILADELPHIA, PENNSYLVANIA
WABASH, INDIANA
WILMINGTON, DELAWARE

FACTORIES ANDERSON, INDIANA
BALTIMORE, MARYLAND (leased)
BOSTON, MASSACHUSETTS (leased)
CHICAGO, ILLINOIS
CLEVELAND, OHIO (leased)
CINCINNATI, OHIO
FORT WORTH, TEXAS (leased)
PHILADELPHIA, PENNSYLVANIA
ROCK ISLAND, ILLINOIS

BRANCH AND SALES OFFICES ANDERSON, INDIANA
BALTIMORE, MARYLAND
BOSTON, MASSACHUSETTS
CHICAGO, ILLINOIS
CINCINNATI, OHIO
CLEVELAND, OHIO
DALLAS, TEXAS
DETROIT, MICHIGAN
FORT WORTH, TEXAS
INDIANAPOLIS, INDIANA,
KALAMAZOO, MICH.
MASON CITY, IOWA
MINNEAPOLIS, MINNESOTA
NEW YORK, NEW YORK
PHILADELPHIA, PENNSYLVANIA
ROCHESTER, NEW YORK
ROCK ISLAND, ILLINOIS
ST. LOUIS, MISSOURI
WABASH, INDIANA
WASHINGTON, D. C.

ACTIVE SUBSIDIARIES PIONEER PAPER STOCK COMPANY
Plants (all leased) located at
CHICAGO, ILL., DETROIT, MICH.,
KALAMAZOO, MICH., PHILADELPHIA, PA.
CARTON INTERNACIONAL, S.A., PANAMA

AFFILIATED COMPANY SEFTON FIBRE CAN COMPANY, ST. LOUIS, MO.
and NEW ORLEANS, LA.

111 WEST WASHINGTON STREET, CHICAGO

DIRECTORS WILLIAM R. BASSET, New York, New York
JOHN E. BIERWIRTH, New York, New York
J. J. BROSSARD, Washington, D. C.
HENRY B. CLARK, San Diego, California
WESLEY M. DIXON, Chicago, Illinois
JOHN L. DOLE, Chicago, Illinois
WILLIAM P. JEFFERY, New York, New York
WALTER P. PAEPCKE, Chicago, Illinois
J. V. SPACHNER, Chicago, Illinois

EXECUTIVE COMMITTEE WILLIAM R. BASSET
JOHN E. BIERWIRTH
WILLIAM P. JEFFERY
WALTER P. PAEPCKE

OFFICERS President, WALTER P. PAEPCKE
Vice President, J. J. BROSSARD
Vice President, WESLEY M. DIXON
Vice President, IRA C. KELLER
Vice President, J. V. SPACHNER
Treasurer—Comptroller, H. C. BAUMGARTNER
Secretary, E. A. WAGONSELLER
Assistant Treasurer, CHRIST MADSEN
Assistant Treasurer, ARTHUR PAPKE
Assistant Secretary, L. A. COMBS
Assistant Secretary, H. J. GREVEN
Assistant Comptroller, EDWARD J. STOUT
Assistant Comptroller, C. M. BLUMENSCHNEIN

TRANSFER AGENTS CONTAINER CORPORATION OF AMERICA,
Chicago, Illinois
CITY BANK FARMERS TRUST COMPANY,
New York, New York

REGISTRARS CONTINENTAL ILLINOIS NATIONAL BANK AND
TRUST COMPANY, Chicago, Illinois
THE NEW YORK TRUST COMPANY,
New York, New York



HONOR ROLL

1944

COMPANY EMPLOYEES IN THE SERVICES

UNITED STATES ARMY ★★★★★★★	1190
UNITED STATES NAVY ★★	416
UNITED STATES MARINE CORPS	65
UNITED STATES AIR FORCES ★★★	159
UNITED STATES COAST GUARD	46
UNITED STATES MERCHANT MARINE	9
WACS, WAVES AND SPARS	32
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	1917

★LOST OR MISSING IN ACTION 14

CONTAINER CORPORATION OF AMERICA

CHICAGO, ILLINOIS, MARCH 2, 1945

TO THE STOCKHOLDERS OF CONTAINER CORPORATION OF AMERICA

We submit herewith the Annual Report of Container Corporation of America for the year ended December 31, 1944, including the Auditors' Certificate, a Consolidated Balance Sheet, and Summaries of Consolidated Profit and Loss and Surplus Accounts. In accordance with existing proxy regulations of the Securities and Exchange Commission, advice is given herewith that proxies for the annual meeting of stockholders will be requested shortly. The proxy statement will be mailed to shareholders about March 6, 1945.

FINANCIAL REVIEW

PROFIT AND LOSS. The consolidated net profit for 1944 was \$2,063,200 compared to \$2,184,054 for 1943. These earnings are net after all charges and after appropriating \$500,000 in 1943 and \$600,000 in 1944 for a war and postwar reserve. The 1943 appropriation has been reduced from an original amount of \$700,000 and the difference added to the 1943 Provision for Federal Taxes and Renegotiation of War Contracts to reflect a provision for the renegotiation settlement for that year. A return of 8.71% was secured on the average invested capital (capital stock and surplus). The earnings, furthermore, represent \$2.64 a share on each of the 781,253 outstanding shares of capital stock, compared with \$2.80 for the previous year.

Quarterly earnings per share were:

1st Quarter.....	\$.73
2nd Quarter.....	.80
3rd Quarter.....	.58
4th Quarter.....	.53*
	<hr/>
	\$2.64

*After adding year end adjustments representing \$.03 per share.

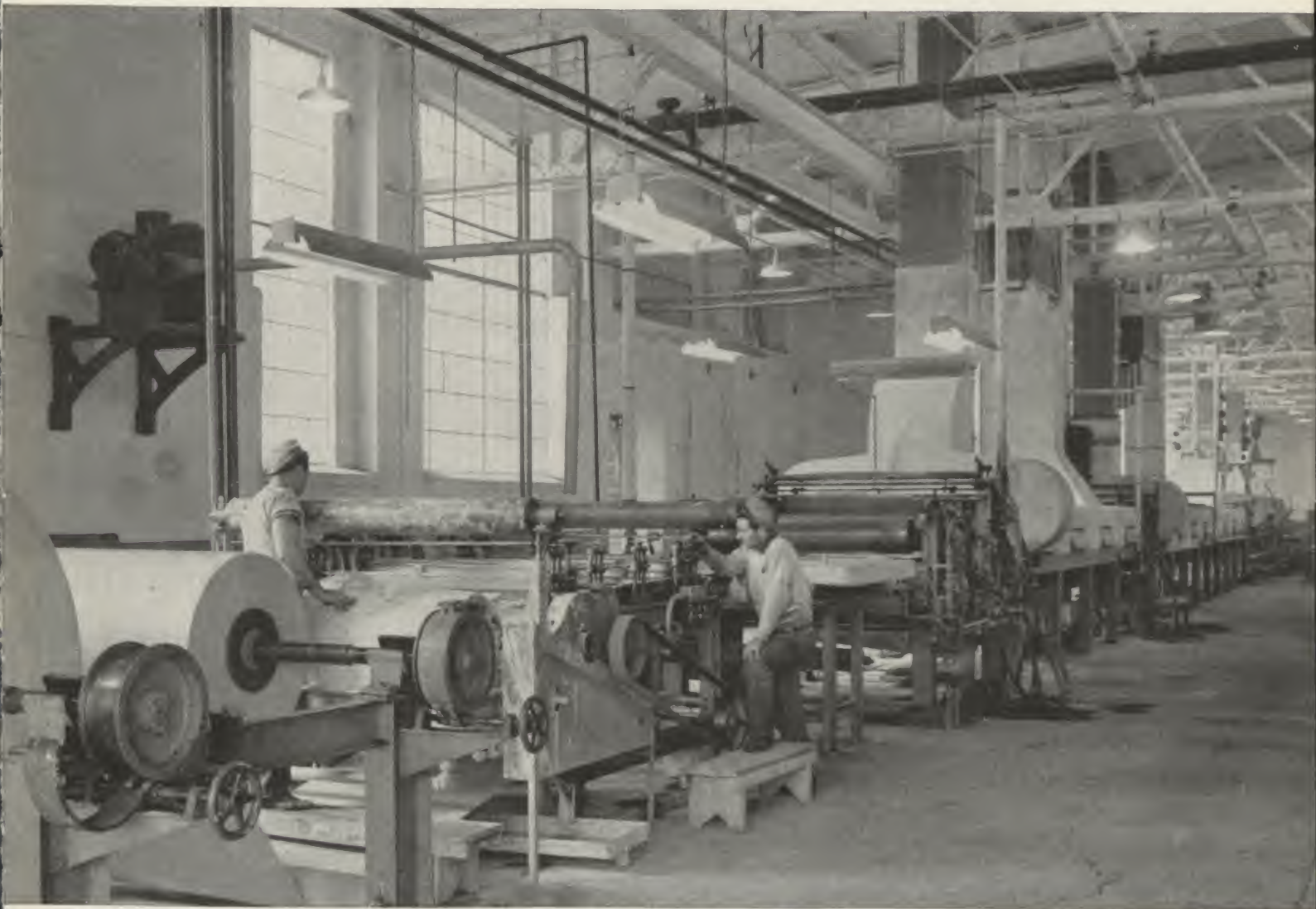
A comparative summary of operating results for the last three years is given below:

	1944	1943	1942
Net Sales.....	\$69,641,096	\$61,163,685	\$49,533,239
Cost of sales (exclusive of depreciation).....	53,830,458	46,206,565	36,668,926
Gross profit (exclusive of depreciation).....	\$15,810,638	\$14,957,120	\$12,864,313
Provision for depreciation (includes depletion of \$25,770 for 1944, \$38,965 for 1943 and \$27,176 for 1942).....	1,481,306	1,421,460	1,411,499
Gross profit from operations.....	\$14,329,332	\$13,535,660	\$11,452,814
Selling, administrative and general expenses.....	4,025,746	3,412,501	3,016,086
Profit from operations.....	\$10,303,586	\$10,123,159	\$ 8,436,728
Purchase discounts, interest earned, etc. (net).....	209,614	260,895	181,652
Profit before interest and Federal income taxes.....	\$10,513,200	\$10,384,054	\$ 8,618,380
Interest charges, etc.			
Interest on term bank loans.....	—	—	\$ 34,136
Other interest, etc.....	—	—	2,496
	—	—	\$ 36,632
Profit before Federal income taxes.....	\$10,513,200	\$10,384,054	\$ 8,581,748
Provision for Federal income taxes and renegotiation of war contracts.....	7,850,000*	7,700,000*	6,180,000*
Net profit for year.....	\$ 2,663,200	\$ 2,684,054	\$ 2,401,748
Provision for war and postwar reserve.....	600,000	500,000	
Balance carried to earned surplus.....	\$ 2,063,200	\$ 2,184,054	

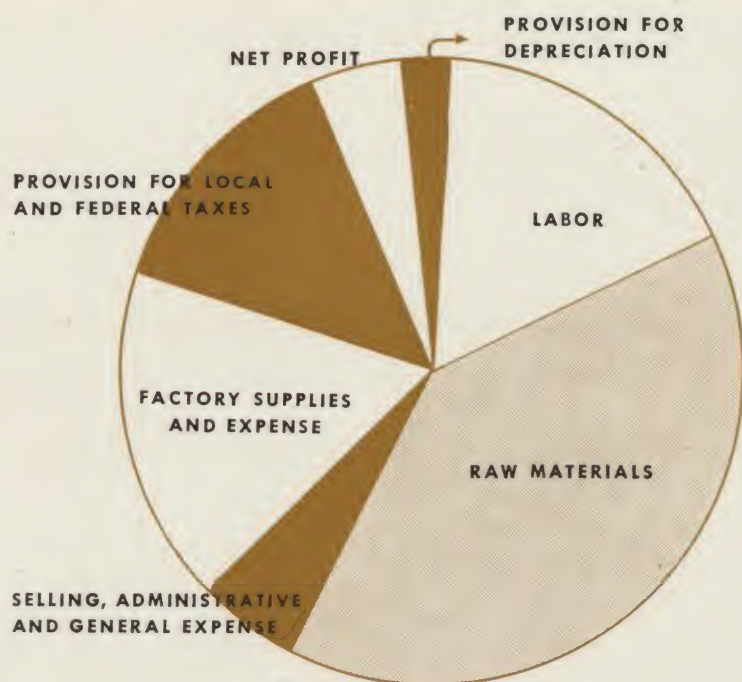
*After deduction of \$710,000 in 1944, \$690,000 in 1943 and \$601,000 postwar refund in 1942.

A provision for depreciation was made at the same rates used in preceding years and aggregated \$1,455,536. This was the gross amount added to the depreciation reserve account. Accumulated depreciation on those assets which were sold or retired during the year, in the amount of \$110,465, was deducted, resulting in a net increase in the depreciation reserve of \$1,345,071.

Loss on capital assets sold or retired during the year aggregated \$49,843 and was charged against the profit and loss account of the year.



A large, new machine installed at the Manayunk plant for applying special surfaces such as clay coating to boxboard.



The properties of the Company were adequately maintained through substantial expenditures. It is apparent that repair and maintenance costs must necessarily be considerably higher in these days when new machinery and equipment are difficult and in some cases impossible to obtain; when the number of operating properties of the Company is numerically greater; and when all properties are operated for the most part night and day, seven days a week, in order to keep up with the expanded volume of business; and finally, when repair materials and labor are higher in cost, and, broadly speaking, much of the personnel in the factories due to labor turnover and war influences

is somewhat less skilled in operating, repairing, and maintaining properties.

The diagram and table which follows, indicate the relative proportion of net sales accounted for by raw materials, factory supplies and expense, labor, selling, administrative and general expense, depreciation, taxes, and profit.

	1944		1943	
Net sales	\$69,641,096	100.00%	\$61,163,685	100.00%
Raw Materials	\$27,864,622	40.01%	\$24,722,828	40.42%
Factory supplies and expense	13,209,652	18.97	10,272,945	16.80
Labor	12,090,692	17.36	10,565,946	17.27
*Selling, administrative and general expense	3,570,397	5.13	2,939,581	4.81
Provision for depreciation (includes depletion of \$25,770 for 1944 and \$38,965 for 1943)	1,481,306	2.13	1,421,460	2.32
Provision for local and Federal taxes and renegotiation	8,761,227	12.58	8,556,871	13.99
**Net profit	2,663,200	3.82	2,684,054	4.39

*Includes other income and charges.

**Before provision of \$600,000 in 1944 and \$500,000 in 1943, for war and postwar reserve.

Provision for Federal income and excess profits taxes, after postwar credit and including provision for renegotiation of war contracts, was estimated at \$7,850,000, or \$10.05 a share of outstanding stock. For the determination of excess profits tax, both the parent company and the consolidated subsidiary, Pioneer Paper Stock Company, used the average earnings basis. As noted on the audited Profit and Loss Statement, a claim for refund of excess profits taxes for the years 1940 to 1944 has been or will be filed under Section 722 of the Internal Revenue Code.

WORKING CAPITAL. The following table contains data for a comparison of working capital for the last two fiscal years:

	December 31		Increase or Decrease (d)
	1944	1943	
CURRENT ASSETS:			
Cash in banks and on hand.....	\$2,364,987	\$1,649,835	\$ 715,152
U. S. treasury notes and war bonds.....	612,166	297,061	315,105
Accounts and notes receivable from customers, less reserves.....	2,809,884	2,852,480	42,596 (d)
Other receivables.....	—	61,001	61,001 (d)
Inventories.....	3,737,137	3,481,416	255,721
Total current assets.....	<u>\$9,524,174</u>	<u>\$8,341,793</u>	<u>\$1,182,381</u>
CURRENT LIABILITIES:			
Accounts payable.....	\$1,462,096	\$ 849,217	\$ 612,879
Accrued salaries, wages and profit-sharing provision...	762,613	598,057	164,556
Accrued taxes.....	556,107	512,385	43,722
Provision for Federal income taxes and renegotiation of war contracts.....	—*	—*	—
Sundry accruals.....	108,187	146,145	37,958 (d)
Total current liabilities.....	<u>\$2,889,003</u>	<u>\$2,105,804</u>	<u>\$ 783,199</u>
Net working capital.....	<u>\$6,635,171</u>	<u>\$6,235,989</u>	<u>\$ 399,182</u>
Current ratio.....	3.30 to 1	3.96 to 1	—
*Provision for Federal income taxes and renegotiation.....	\$ 9,896,997	\$9,218,820	—
Less: Treasury notes—tax series.....	9,896,997	9,218,820	—



A package with a cellophane overwrap specially made for quick frozen foods. Store-door delivery is one of the new methods of distribution in this field.



You will note that the improvement in working capital amounted to \$399,182. There was a fairly substantial increase in cash and government securities. It is the management's aim to further increase cash, because it seems evident that the Company, which is a large user of capital goods, should build up cash with which to purchase new and modern equipment as it may be developed and become available after the war. The increase in inventories is largely a matter of higher cost or market, rather than increased units. Similarly the increase in accounts payable reflects higher unit costs of purchased commodities and balances due for increased repair and maintenance charges.

Included in reserve for Federal income and excess profits taxes are provisions for renegotiation of war contracts for 1943 and 1944. You will note that sufficient Treasury Notes of the tax series are on hand to offset completely all Federal income and excess profits taxes.

The following application of funds statement gives the source and disposition of funds:

Funds provided from the following sources:

Profit for year.....			\$2,063,200
Add expense items not requiring cash—			
Provision for depreciation.....	\$1,455,536		
Provision for depletion.....	25,770		
Provision for war and postwar reserve.....	600,000		
Loss on capital assets retired.....	49,843	2,131,149	\$4,194,349
Proceeds from sale of property.....			80,181
			<u>\$4,274,530</u>

Which were expended or accounted for as follows:

Dividends paid.....	\$1,171,879
Net increase in working capital.....	399,182
Increase in postwar refund Federal excess profits tax.....	710,000
Increase in other investments and advances.....	788,329
Increase in deferred charges.....	62,073
Additions to plant and equipment.....	1,143,067
	<u>\$4,274,530</u>

The primary purposes for which incoming funds were disbursed were the following:

1. Dividends of \$1.50 a share, amounting to \$1,171,879 were paid to shareholders.
2. Increase in working capital accounted for \$399,182.
3. Miscellaneous capital expenditures of \$1,143,067 were made for routine improvements, replacements and additions to buildings, machinery and equipment, and for a few extraordinary items, among the more important of which were the following:
 - a. The land, buildings, and a machine shop of the Rock Island, Illinois plant were purchased.
 - b. The machinery, equipment, and some other assets of the Russell Box Company at Medford, Massachusetts, were acquired early in 1944. The land and buildings, in which the machinery and equipment are housed, have been leased on a long-term basis. The formerly owned land and buildings at Natick, Massachusetts, which contained a corrugated box operation of your Company, were sold, and the machinery and equipment were moved to the newly leased and larger buildings



The recently acquired property at Medford, Massachusetts, near Boston. This is a container and folding carton operation, and is known as the Boston plant.

at Medford, and combined with the folding carton business purchased from the Russell Box Company. This combined operation is now known as the Boston plant.

c. Land was purchased at Greensboro, North Carolina, where your Company plans to build, or to have built in accordance with its specifications, a factory to accommodate a folding carton and corrugated box operation as soon as the necessary priorities, building materials, and equipment are available.

4. The increase in other investments and advances was due primarily to the following:

a. A wholly owned foreign subsidiary, Carton Internacional S. A., was incorporated under the laws of Panama, with a total capital of \$500,000. Your Company owns all of the 25,000 shares of \$20 par value capital stock.

Carton Internacional S. A., in turn has paid out or made commitments for the purchase of a 50% stock ownership in Carton de Colombia S. A. The other 50% of the stock has been subscribed by a prominent and influential group of leading business men of Colombia. This new company is presently erecting a paper mill, corrugated and fibre box shop, and folding carton plant at Cali, Colombia. Plans are in the making for additional operations in other major cities of Colombia.

In addition, some of the funds of Carton Internacional S. A., are being employed in the acquisition of securities of two Mexican companies which, in one case, is producing fibre cans and, in the other, will presently manufacture and sell folding cartons. These new investments are being made in cooperation with some aggressive and reliable citizens of Mexico City, who have had twelve years' successful experience in the fabrication of paper containers.

b. The Company's investment in the Sefton Fibre Can Company was increased by the purchase of 5345 shares of common and 293 shares of Preferred stock. Also a loan of \$125,000 was made to this affiliated company, which together with a local bank loan was used to finance the purchase of plant, land and buildings.

On pages 22 to 25, a twelve-year comparison of balance sheets, summary of profit and loss, and record of dividends and interest on formerly outstanding funded debt are submitted. We believe that these tabulations exhibit an interesting record of the progress made by your Company over a long period of years.

CAPITALIZATION. No changes were made during the year in the number of outstanding shares of capital stock, which remain in the amount of 781,253 shares of a par value of \$20. The shareholders, as reflected on the records of the Company, number 8869. The largest individual holding is less than 5% of the outstanding stock, and approximately 50% of the shares are held by owners of one to two hundred shares each.

SURPLUS. Earned surplus was credited with the year's net profit of \$2,063,200. Dividend payments in the amount of \$1,171,879 were charged against this surplus. Consequently, the net addition to earned surplus amounted to \$891,321 and resulted in a final year-end amount of \$7,833,183.

OPERATIONS

The following tabulation sets forth the number of tons of paperboard and pulp produced in the paper and pulp mills of your Company, as well as the number of tons of finished product shipped, with comparisons for a number of previous years:

	Tons Produced in Mills	Tons Finished Product Shipped
1934.....	300,424	312,830
1935.....	373,399	382,381
1936.....	428,627	441,086
1937.....	391,270	390,496
1938.....	346,616	361,820
1939.....	432,848	462,385
1940.....	461,815	504,507
1941.....	546,002	627,292
1942.....	508,423	575,856
1943.....	537,076	598,918
1944.....	523,946	585,018

The tons of finished product shipped are greater than the tons of product produced in the mills owned by your Company, because a fairly substantial tonnage of paperboard was purchased from outside producers and converted into containers and cartons by the fabricating factories of your Company.

The pulp mill at Fernandina, Florida produced 55,571 tons of unbleached sulphate pulp. Approximately one-third of this pulp was consumed by the paper mills of the Company, and the balance was sold upon direction of The War Production Board to other domestic and foreign pulp users.

Bleached and unbleached sulphite, ground wood and various other pulps used by your Company are all purchased from other domestic and foreign producers.

It has already been mentioned that the mills, box factories, waste paper operations, and the fleet of trucks, tractors and trailers were very adequately maintained and are, generally speaking, in excellent operating condition. However, in the postwar period it will, no doubt, be necessary and advantageous to replace certain machinery with new equipment, not now available due to wartime restrictions. For that reason, capital expenditures of \$1,143,067 were less than would normally be made, especially considering the fact that a substantial part of the capital expenditures made during the year involved acquisitions and expansions, while a depreciation charge of \$1,455,536 was provided for the regular properties of the Company owned as of the first of the year. Ordinarily, capital expenditures, exclusive of new investments and acquisitions, would approximate the annual depreciation reserve.

Operating costs were adversely affected by higher costs of raw materials, labor, and repair and maintenance, while existing OPA ceilings did not permit the full recovery of these higher costs through increased selling prices.



Folding cartons manufactured in the Company's carton plants for a great variety of products. Some are printed in two colors, some in four, from Kodachromes or full color paintings, and some have special surface treatments.

SALES

Consolidated net sales for the year amounted to \$69,641,096, an increase of 13.86% over the previous year, and a new peak in your Company's history. The number of customers served was approximately seven thousand. These purchasers are largely packagers of essential civilian and war products, such as, all types of foods, beverages, clothing and textiles, drugs and pharmaceuticals, tobacco products, machinery and parts, building materials, supplies and fixtures, paints and varnishes, soaps, matches, sporting goods, hardware and tools, glass products, and many other items, necessary in the daily life of the civilian and wartime economy of this country, that require a protective package to transport them from point of production to point of distribution or consumption. The largest individual customer using your Company's product represented less than 3% of the Company's total volume.

Consistent with the practice of former years, continuous development to invent, produce and introduce new or improved products was aggressively undertaken by the Sales Research Department in cooperation with the Technical Research, Art and Design, Laboratory and Testing, and New Machinery Building Departments. However, it is believed the results of these efforts will become more evident in the postwar period.

AFFILIATED AND SUBSIDIARY COMPANIES

The Sefton Fibre Can Company of St. Louis, Missouri, with operations in St. Louis, and New Orleans, La., earned a net profit of \$98,046. This company paid the regular dividend of \$5.00 a share on the outstanding preferred stock. It acquired, through purchase, ownership of the land and buildings used by its St. Louis factory, which were formerly leased. The Can Company continued to serve the United States Government Ordnance Department by producing paper tubes for shells in Memphis, Tennessee on a management fee basis. The parent company now owns 39.07% of the outstanding preferred stock of this company and 97.53% of the common stock. As the balance of the outstanding capital stock of the Can Company is owned by others, neither its balance sheet nor profit and loss figures are included in the consolidated data comprising this report.

The Pioneer Paper Stock Company, which is a wholly owned subsidiary, earned a small profit during the year. It conducts a waste paper purchasing, sorting, cleaning, baling and distributing business in Chicago, Philadelphia, Detroit and Kalamazoo. Both the subsidiary and the parent company have aggressively participated in all cooperative salvage campaigns in the territories in which they operate, in addition to spending substantial time, effort and money for individual drives over and above those conducted in cooperation with the industry and the government.

WAR WORK

A substantial percentage of the product of your Company was produced in connection with the war effort. Shipping cases, folding cartons, paperboard, waste paper and pulp are all critically short in relation to the tremendous demands for war and essential civilian needs. Unfortunately, due to war and high priority civilian needs, it has not been possible to serve adequately many of the long-time, loyal civilian customers, but for the most part these customers have sympathetically understood and appreciated the existing difficulties.

FIVE-YEAR COMPARISONS 1940-1944

	1940	1941	1942	1943	1944
NUMBER OF EMPLOYEES (AT 12/31)	4,419	6,295	5,627	6,428	7,131
TONS SHIPPED	504,507	627,292	575,856	598,918	585,018
NET PROFIT	\$2,227,682	\$2,327,177	\$2,401,748	\$2,184,054	\$2,063,200
DIVIDENDS AND INTEREST PAID	\$1,379,556	\$1,263,113	\$1,208,910	\$1,171,879	\$1,171,879
TAXES	\$1,775,287	\$5,210,021	\$6,953,984	\$8,556,871	\$8,761,227
PER CENT OF PROFIT ON INVESTED CAPITAL	11.41%	11.34%	11.06%	9.58%	8.71%
INVESTED CAPITAL PER EMPLOYEE	\$ 4,418	\$ 3,261	\$ 3,860	\$ 3,545	\$ 3,321
INCREASE IN SURPLUS	\$848,639	\$1,155,298	\$1,229,869	\$903,983	\$891,321

Almost all of the food, clothing, munitions, and equipment going to our armed forces across the seas and to camps at home must be packed for protective shipment. As our military operations increased, the demand for packaged supplies has grown steadily. It is the belief of the management that a not inconsiderable contribution has been and is being made to the all-important war effort. The Technical and Research Departments of the Company in the plants and in the laboratories have been cooperating constantly with the various engineering and procurement divisions of the Ordnance Department and Quartermaster Corps. As a result of this continuous effort, many improvements have been made on existing packages, and ingenious and novel products have been newly developed.

RENEGOTIATION OF WAR CONTRACTS. A renegotiation settlement for 1943 was made with the War Department's Chicago Ordnance District and, subject to the approval of the War Department Price Adjustment Board of Washington, will involve a net settlement of approximately \$200,000 after taxes. The war and postwar reserve provided in 1943 has been reduced by this amount, while a current liability has been included under the caption of provision for Federal taxes on income and for renegotiation of war contracts. Also, while it is impossible at this time to determine accurately what amount, if any, may be required for 1944, a reasonable provision therefor has been made in both current liabilities and in the profit and loss account.

PAPERBOARD AND CONTAINER INDUSTRY CONDITIONS

The paperboard and container industries, and your Company as an important factor thereof, are experiencing an increasing "squeeze" between slowly but inexorably rising costs and fixed price ceilings. You will note that the gross profit on sales before Federal income and excess profits taxes was 15.10% for 1944 as against 16.98% for 1943. In spite of the higher volume of 1944 versus 1943, the margin percentage of gross profit decreased. While it is entirely too early to evaluate probabilities for 1945, it should be realistically understood that, at the present moment at least, costs are still increasing and fixed selling price ceilings (insignificantly raised by OPA on a few products in January, 1945) do not compensate for the upward trend of costs. Furthermore, with serious labor and raw material shortages existing, it would appear over-optimistic to expect any offsetting substantial increase of unit volume. In fact, both the industry as well as this Company, experienced only nominal increases or decreases in unit volume of the various grades of paperboard produced in 1944 versus 1943.

On the other hand, with the eventual end of the war, for which everyone is so ardently hoping and working, it would seem that at least acute labor shortages might disappear, and the general volume of paperboard and container requirements could well remain substantially large, except for a reasonably brief reconversion period brought on, more by the reconversion problems of customers, rather than by any important reconversion problems within the industry.

EMPLOYEE RELATIONS

As of the end of the year your Company employed in its mills, factories and offices approximately 7100 men and women. The percentage of women again increased somewhat, so that it now stands at about 34%. There are at the present time almost 2000 of the

former employees of the Company in the armed services. It is regrettably recorded that of this number, fourteen have lost their lives or are counted among the missing. A constant policy has been followed of keeping in the closest possible touch with those employees who are now in uniform. This has been done through sending the men and women in the armed forces copies of their plant magazine, house organs, personal letters, cigarettes and other remembrances, and at Christmas time an Express Money Order. Literally hundreds of interesting and, in many cases, touching letters of appreciation have been received from those in the service. From these communications it is clear that the Container men and women in the services are performing most creditably and, at the same time, are more than anxious to achieve early victory and return home to resume their respective jobs.

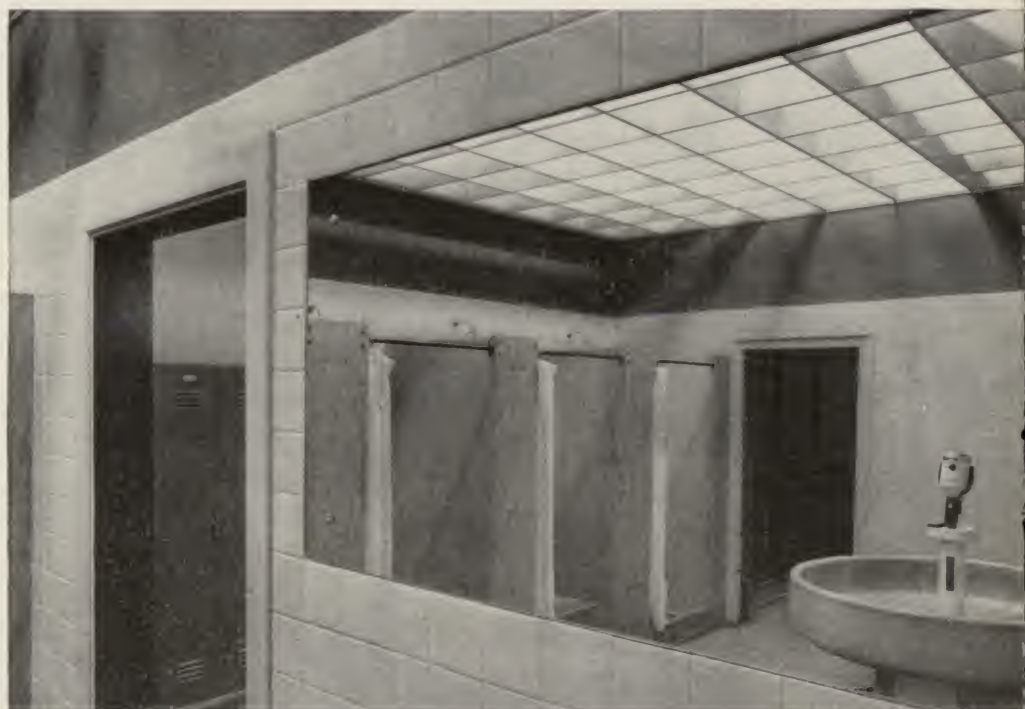
Gratifying improvements in the safety record have continued to be made in spite of the unavoidably large labor turnover.

The employees of the Company throughout all the factories and Main Office are participating in the War Bond purchase program, Red Cross, and Community and War Fund drives in every territory in which the Company operates.

A liberal vacation policy is in effect for both hourly and salaried employees.

INSURANCE. All employees are eligible, and practically all participate in group life, accident and sickness, surgical care and hospitalization, and family dependents hospitalization insurance.

RETIREMENT ANNUITY PLAN. Under this plan a large majority of the eligible employees are building up through their own and the Company's matching contributions a sizeable retirement fund. In 1944 the employees as a group and the Company each provided \$217,601; contributions by, and on account of, executive officers aggregated 5.8% while 94.2% was contributed by, and on account of, all other employees. In 1944 the Company paid for purchase of past service annuities \$112,159; these annuities, in accordance with the plan, become payable only upon retirement.





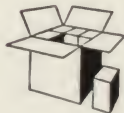
Recently completed facilities at the Rock Island Container plant include a cafeteria which serves two hundred people. On the left is a reflected view of the men's shower and washroom. Because no smoking is permitted in the plant a small lounge is installed adjacent to the men's locker room.





LIBERATION!

U. S. supplies, packed in paper, aid a reborn Poland.



CONTAINER CORPORATION OF AMERICA

MANAGEMENT PROFIT SHARING PLAN. This plan, as approved by the stockholders at their annual meeting in 1940, would have provided about \$1,400,000 for distribution for 1944. The non-participating directors charged with the final determination of the profit sharing fund concluded that, under the unusual conditions existing at the present time, the amount for distribution for the year 1944 be limited to \$257,950, compared with a distribution of \$287,650 for the previous year. The non-participating directors allotted 17% of this fund to the president, 35% to the four vice-presidents, and 48% to other salaried employees, including the treasurer, secretary, and their assistants. All in all, 67 department and divisional heads and assistants participated in this distribution. The total amount distributed is, of course, chargeable to expense and, therefore, the net cost to the Company after taxes amounted to approximately \$72,000.

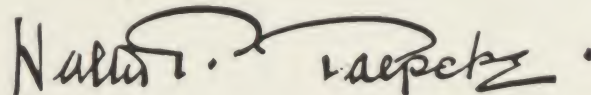
ORGANIZATION

There were no important changes in the duties and responsibilities of the officers of the Company.

Your Board of Directors and management again wish to record their appreciation and recognition of the devoted, conscientious and loyal services of all members of the organization in a year fraught with problems, difficulties, uncertainties and shortages. The fact that the total volume of dollar sales increased without any important new facilities, and that net earnings of a reasonably satisfactory amount were produced in spite of higher costs and very high taxes, is entirely due to the exceptionally good work done by the members of the organization as a whole.

Submitted on behalf of the Board of Directors.

Respectfully,

A handwritten signature in dark ink, appearing to read "Nathan Leopold", with a stylized flourish at the end.

President

One of a series of advertisements published in Time, Fortune and other magazines to emphasize the importance of paper packages in the great shipments of weapons and food to the United Nations. Each advertisement is devoted to one of our allies, and made by a native artist of the country represented.

CONTAINER CORPORATION OF AMERICA AND CONSOLIDATED YEAR-END BALANCE SHEETS FOR TWELVE YEAR ASSETS

	1944	1943	1942	1941	1940
Cash in banks and on hand.....	\$ 2,364,987	\$ 1,649,835	\$ 1,216,063	\$ 1,249,665	\$ 2,456,532
U. S. treasury notes and war bonds.....	612,166	297,061	285,870	—	—
Accounts and notes receivable—less reserves.	2,809,884	2,913,481	2,380,611	3,108,880	1,969,006
Inventories.....	3,737,137	3,481,416	3,199,667	4,340,712	3,410,931
Total current assets.....	\$ 9,524,174	\$ 8,341,793	\$ 7,082,211	\$ 8,699,257	\$ 7,836,469
Postwar excess profits tax refund.....	1,720,834	1,010,834	361,000	—	—
Other receivables and investments.....	864,472	76,143	135,134	367,664	802,253
Treasury stock at cost.....	—	—	—	—	—
Land.....	3,551,231	3,569,681	3,583,906	3,599,118	3,485,447
Buildings, machinery and equipment.....	27,867,623	26,972,366	26,361,566	25,864,025	25,096,655
Reserve for depreciation.....	15,918,586	14,573,515	13,269,224	11,952,714	10,992,835
Deferred charges.....	508,991	446,918	283,175	227,151	187,062
Good will and patents.....	I	I	I	I	I
	<u>\$28,118,740</u>	<u>\$25,844,221</u>	<u>\$24,537,769</u>	<u>\$26,804,502</u>	<u>\$26,415,052</u>

LIABILITIES

Accounts payable.....	\$ 1,462,096	\$ 849,217	\$ 1,154,353	\$ 1,321,396	\$ 345,977
Accrued salaries, wages, taxes, interest, etc..	1,426,907	1,256,587	1,048,981	1,118,470	832,830
Reserve for Federal income taxes and re- negotiation of war contracts.....	—	—*	—*	360,070*	1,186,977
Sinking fund payments due within a year....	—	—	—	—	—
Total current liabilities.....	\$ 2,889,003	\$ 2,105,804	\$ 2,203,334	\$ 2,799,936	\$ 2,365,784
Funded debt.....	—	—	—	2,900,000	4,100,000
Provision for prior years Federal income taxes in dispute.....	—	—	—	—	—
Reserve for contingencies.....	—	—	—	—	—
War and postwar reserve.....	1,100,000	500,000	—	—	—
Capital stock.....	15,625,060	15,625,060	15,625,060	15,625,060	15,625,060
7% Preferred stock.....	—	—	—	—	—
Class A common stock.....	—	—	—	—	—
Class B common stock.....	—	—	—	—	—
Capital surplus.....	671,494	671,494	671,494	671,494	671,494
Earned surplus.....	7,833,183	6,941,863	6,037,881	4,808,012	3,652,714
	<u>\$28,118,740</u>	<u>\$25,844,221</u>	<u>\$24,537,769</u>	<u>\$26,804,502</u>	<u>\$26,415,052</u>
Working capital.....	\$ 6,635,171	\$ 6,235,989	\$ 4,878,877	\$ 5,899,321	\$ 5,470,685
Current ratio.....	3.30 to 1	3.96 to 1	3.21 to 1	3.11 to 1	3.31 to 1
Book value per share.....	\$ 30.89	\$ 29.74	\$ 28.59	\$ 27.01	\$ 25.53
<i>Note—Italics denote red figures.</i>					
*Provision for Federal income taxes and renegotiation	\$9,896,997	\$9,218,820	\$6,878,426	\$4,564,790	
Less Treasury notes—tax series.....	9,896,997	9,218,820	6,878,426	4,204,720	
	—	—	—	\$ 360,070	

SUBSIDIARY COMPANIES

PERIOD ENDED DECEMBER 31, 1944

1939	1938	1937	1936	1935	1934	1933
\$ 1,044,918	\$ 1,031,969	\$ 1,650,344	\$ 1,147,362	\$ 1,131,576	\$ 820,912	\$ 439,616
1,903,452	1,474,683	1,133,116	1,625,631	1,155,580	1,146,099	1,161,913
3,644,189	2,859,950	3,143,426	2,900,739	2,896,060	2,489,422	2,622,308
\$ 6,592,559	\$ 5,366,602	\$ 5,926,886	\$ 5,673,732	\$ 5,183,216	\$ 4,456,433	\$ 4,223,837
1,561,736	1,487,517	1,848,555	149,754	90,563	136,840	195,079
3,463,005	3,450,285	3,192,264	3,237,069	3,237,069	93,750	93,750
24,051,950	23,452,635	22,720,891	21,872,009	21,143,364	3,219,640	3,219,640
9,897,678	8,922,908	7,763,149	7,738,397	6,760,214	5,789,049	5,084,545
338,039	387,994	385,583	438,647	433,644	487,155	622,916
I	I	I	I	I	I	I
<u>\$26,109,612</u>	<u>\$25,222,126</u>	<u>\$26,311,031</u>	<u>\$23,632,815</u>	<u>\$23,327,643</u>	<u>\$22,777,582</u>	<u>\$22,065,688</u>

\$ 820,005	\$ 446,525	\$ 363,451	\$ 1,305,003	\$ 758,558	\$ 988,356	\$ 985,431
516,978	392,440	434,276	415,636	329,066	304,602	327,794
296,000	34,200	528,000	255,000	217,500	195,000	—
250,000	128,000	115,000	154,000	250,000	201,500	14,000
\$ 1,882,983	\$ 1,001,165	\$ 1,440,727	\$ 2,129,639	\$ 1,555,124	\$ 1,689,458	\$ 1,327,225
5,126,000	5,945,500	6,472,000	6,980,500	7,736,360	7,783,500	8,239,000
—	500,000	—	—	—	—	—
—	—	449,114	434,114	417,614	81,622	86,122
15,625,060	15,625,060	15,625,060	13,070,800	13,070,800	—	—
—	—	—	—	—	1,206,600	1,575,300
—	—	—	—	—	7,471,100	7,471,100
671,494	671,494	383,139	—	—	2,890,945	2,890,945
2,804,075	1,478,907	1,940,991	1,017,762	547,745	1,922,499	1,658,285
<u>\$26,109,612</u>	<u>\$25,222,126</u>	<u>\$26,311,031</u>	<u>\$23,632,815</u>	<u>\$23,327,643</u>	<u>\$22,777,582</u>	<u>\$22,065,688</u>
\$ 4,709,576	\$ 4,365,437	\$ 4,486,159	\$ 3,544,093	\$ 3,628,092	\$ 2,766,975	\$ 2,896,612
3.50 to 1	5.36 to 1	4.11 to 1	2.66 to 1	3.33 to 1	2.64 to 1	3.18 to 1
\$ 24.45	\$ 22.75	\$ 22.97	\$ 21.56	\$ 20.84	Various classes of outstanding stock were reclassified into present capital stock in 1935	

CONTAINER CORPORATION OF AMERICA AND CONSOLIDATED PROFIT AND LOSS STATEMENTS FOR TWELVE

	1944	1943	1942	1941	1940
Net sales.....	\$69,641,096	\$61,163,685	\$49,533,239	\$46,714,221	\$30,464,677
Cost of sales (exclusive of depreciation).....	53,830,458	46,206,565	36,668,926	35,548,267	23,339,894
Gross profit (exclusive of depreciation).....	\$15,810,638	\$14,957,120	\$12,864,313	\$11,165,954	\$ 7,124,783
Provision for depreciation.....	1,481,306	1,421,460	1,411,499	1,307,975	1,241,246
Gross profit from operations.....	\$14,329,332	\$13,535,660	\$11,452,814	\$ 9,857,979	\$ 5,883,537
Selling, administrative and general expenses (exclusive of bad debts).....	4,025,746	3,412,501	3,016,086	2,953,587	2,361,345
Profit from operations (exclusive of bad debts).....	\$10,303,586	\$10,123,159	\$ 8,436,728	\$ 6,904,392	\$ 3,522,192
Other income and <i>charges</i> —net.....	209,614	260,895	181,652	69,679	113,030
Profit before interest and Federal income taxes.....	\$10,513,200	\$10,384,054	\$ 8,618,380	\$ 6,834,713	\$ 3,635,222
Interest charges, etc.....	—	—	36,632	92,536	220,540
Profit before Federal income taxes.....	\$10,513,200	\$10,384,054	\$ 8,581,748	\$ 6,742,177	\$ 3,414,682
Provision for Federal income taxes and rene- gotiation of war contracts.....	7,850,000	7,700,000	6,180,000	4,415,000	1,187,000
Net profit for year.....	\$ 2,663,200	\$ 2,684,054	\$ 2,401,748	\$ 2,327,177	\$ 2,227,682
Provision for war and postwar reserve.....	600,000	500,000	—	—	—
Balance carried to earned surplus.....	\$ 2,063,200	\$ 2,184,054	\$ 2,401,748	\$ 2,327,177	\$ 2,227,682
Earnings per share.....	\$ 2.64	\$ 2.80	\$ 3.07	\$ 2.98	\$ 2.85

Note—Italics denote red figures.

RECORD OF DIVIDENDS AND INTEREST ON FUNDED DEBT PAID FOR TWELVE YEAR PERIOD JANUARY 1, 1933

Dividends paid:					
Preferred stocks.....	—	—	—	—	—
Common stocks.....	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879
Total dividends.....	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879
*Interest paid on funded debt.....	—	—	\$ 37,031	\$ 91,234	\$ 207,677
Total dividends and interest.....	\$ 1,171,879	\$ 1,171,879	\$ 1,208,910	\$ 1,263,113	\$ 1,379,556

*On basis of cash payments made. This differs slightly from accrual basis used on profit and loss statement.

SUBSIDIARY COMPANIES

YEAR PERIOD ENDED DECEMBER 31, 1944

1939	1938	1937	1936	1935	1934	1933	Total
\$24,114,815	\$18,705,290	\$25,268,327	\$22,525,268	\$20,181,777	\$18,316,508	\$15,419,759	\$402,048,662
19,172,531	15,295,294	19,201,297	17,466,001	15,356,939	14,136,407	12,819,457	309,042,036
\$ 4,942,284	\$ 3,409,996	\$ 6,067,030	\$ 5,059,267	\$ 4,824,838	\$ 4,180,101	\$ 2,600,302	\$93,006,626
1,180,417	1,261,111	1,216,800	1,172,734	1,152,590	984,162	791,007	14,622,307
\$ 3,761,867	\$ 2,148,885	\$ 4,850,230	\$ 3,886,533	\$ 3,672,248	\$ 3,195,939	\$ 1,809,295	\$78,384,319
1,690,557	1,748,504	2,027,711	1,791,599	1,575,614	1,375,624	1,096,807	27,075,681
\$ 2,071,310	\$ 400,381	\$ 2,822,519	\$ 2,094,934	\$ 2,096,634	\$ 1,820,315	\$ 712,488	\$51,308,638
36,237	75,930	71,770	89,054	143,609	21,278	55,468	426,500
\$ 2,107,547	\$ 476,311	\$ 2,750,749	\$ 2,005,880	\$ 1,953,025	\$ 1,799,037	\$ 657,020	\$51,735,138
365,604	412,641	438,644	463,938	497,516	491,326	516,099	3,535,476
\$ 1,741,943	\$ 63,670	\$ 2,312,105	\$ 1,541,942	\$ 1,455,509	\$ 1,307,711	\$ 140,921	\$48,199,662
293,043	34,200	528,000	255,000	217,500	195,000	—	28,854,743
\$ 1,448,900	\$ 29,470	\$ 1,784,105	\$ 1,286,942	\$ 1,238,009	\$ 1,112,711	\$ 140,921	\$19,344,919
—	—	—	—	—	—	—	1,100,000
\$ 1,448,900	\$ 29,470	\$ 1,784,105	\$ 1,286,942	\$ 1,238,009	\$ 1,112,711	\$ 140,921	\$18,244,919
\$ 1.85	\$.04	\$ 2.28	\$ 1.97	\$ 1.89	Various classes of outstanding stock were reclassified into present capital stock in 1935		

TO DECEMBER 31, 1944

—	—	—	—	\$ 422,310	—	—	\$ 422,310
\$ 195,313	\$ 234,376	\$ 860,876	\$ 816,925	—	—	—	7,966,885
\$ 195,313	\$ 234,376	\$ 860,876	\$ 816,925	\$ 422,310	—	—	\$ 8,389,195
\$ 310,900	\$ 346,005	\$ 374,340	\$ 422,459	\$ 438,871	\$ 438,170	\$ 458,685	\$ 3,125,372
\$ 506,213	\$ 580,381	\$ 1,235,216	\$ 1,239,384	\$ 861,181	\$ 438,170	\$ 458,685	\$11,514,567

RAW MATERIALS

PROCESSING

MILLS



PULP WOOD FROM THE FORESTS

WASTE PAPER FROM THE CITIES



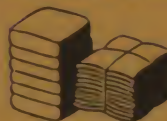
CHICAGO

DETROIT

KALAMAZOO

PHILADELPHIA

PULP AND PAPERSTOCK



CHICAGO—COATED BOARD

CHICAGO—OGDEN

CINCINNATI

PHILADELPHIA

WABASH

WILMINGTON

CARTHAGE

CIRCLEVILLE



STRAW FROM THE FARMS

SOURCES AND FLOW OF PRIMARY MATERIALS THROUGH MILLS

FACTORIES

PRODUCTS

USES

ANDERSON

BALTIMORE

BOSTON

CHICAGO—35TH ST.

CHICAGO—OGDEN

CINCINNATI

CLEVELAND

FT. WORTH

NEW ORLEANS

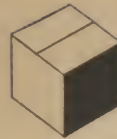
PHILADELPHIA—MANAYUNK

PHILADELPHIA—6TH STREET

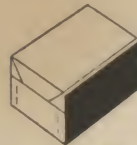
ROCK ISLAND

ST. LOUIS

OTHER CONVERTERS



CORRUGATED
CONTAINERS



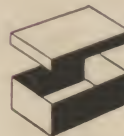
SOLID FIBRE
CONTAINERS



FOLDING CARTONS



FOOD PAILS



SET-UP BOXES



FIBRE CANS

Ammunition	Household Goods
Automotive Parts	Linens and Towels
Bakery Goods	Liquor and Wine
Beer	Machines and Parts
Boots and Shoes	Matches
Building Materials	Meat Products
Canned Foods	Paint and Varnish
Caps and Closures	Paper Products
Cereal Products	Personal Accessories
Chemicals	Petroleum Products
China & Pottery	Pharmaceuticals
Clothing	Publishers, Printers
Coffee, Tea, Cocoa	Radio Products
Confectionery	Rations
Cosmetics	Rubber Goods
Dairy Products	Soaps and Cleansers
Dehydrated Foods	Soft Drinks
Explosives	Spices
Electrical Products	Sporting Goods
Frozen Foods	Sugar and Salt
Fruits and Vegetables	Textiles
Furniture	Tobacco Products
Glass Products	Toys and Games
Hardware and Tools	Vegetable Products

PAPERBOARD



AND FACTORIES OF CONTAINER CORPORATION OF AMERICA

CONTAINER CORPORATION OF AMERICA

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash in banks and on hand.....		\$ 2,364,986.95
United States Treasury notes and war bonds, at cost plus accrued interest.....		612,165.97
Accounts receivable from customers.....	\$ 2,960,418.58	
Less—Reserve for doubtful receivables.....	<u>150,534.30</u>	2,809,884.28
Inventories of finished goods, work in process, raw materials and supplies—priced at the lower of average cost or market.....		<u>3,737,136.45</u>
Total current assets.....		\$ 9,524,173.65

OTHER INVESTMENTS AND ADVANCES, AT COST:

Postwar refund of Federal excess profits tax.....	\$ 1,720,833.80	
Investments in and advances to subsidiaries not consolidated—		
Foreign.....	\$ 500,000.00	
Domestic.....	<u>276,711.45</u>	776,711.45
Other investments and advances.....	<u>87,760.62</u>	2,585,305.87

PLANT AND EQUIPMENT—stated at amounts (based in part on appraisals) recorded at dates of acquisition of properties (including properties acquired for capital stock), plus subsequent additions at cost, less reserves for depreciation:

Land.....	\$ 3,551,230.97	
Buildings.....	\$ 7,523,664.47	
Machinery, equipment, etc.....	15,711,894.86	
Leasehold and leasehold improvements.....	<u>4,632,064.45</u>	
	\$27,867,623.78	
Less—Reserves for depreciation.....	<u>15,918,586.03</u>	<u>11,949,037.75</u>
PREPAID INSURANCE, ETC.....		508,991.05

GOODWILL AND PATENTS.....		<u>1.00</u>
		<u>\$28,118,740.29</u>

AND SUBSIDIARY COMPANIES

—DECEMBER 31, 1944

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....		\$ 1,462,095.82
-----------------------	--	-----------------

Accrued liabilities—

Salaries, wages and profit sharing provision.....	\$ 762,613.05	
Taxes, other than Federal taxes on income.....	556,106.51	
Other.....	<u>108,187.20</u>	1,426,906.76

Provision for Federal taxes on income and for renegotiation of war contracts.....	\$ 9,896,997.03	
---	-----------------	--

Less—United States Treasury Notes, tax series, to be applied in payment thereof.....	<u>9,896,997.03</u>	—
--	---------------------	---

Total current liabilities.....		\$ 2,889,002.58
--------------------------------	--	-----------------

WAR AND POSTWAR RESERVE.....		1,100,000.00
------------------------------	--	--------------

CAPITAL STOCK AND SURPLUS:

Capital stock—

Authorized 1,000,000 shares of \$20 par value each

Outstanding 781,253 shares.....	\$15,625,060.00	
---------------------------------	-----------------	--

Paid-in surplus (no change during year).....	671,494.30	
--	------------	--

Earned surplus (see accompanying summary).....	<u>7,833,183.41</u>	24,129,737.71
--	---------------------	---------------

	<u><u>\$28,118,740.29</u></u>
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CONTAINER CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

SUMMARIES OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEARS ENDED DECEMBER 31, 1944 AND 1943

	PROFIT AND LOSS	
	Year Ended December 31	
	1944	1943 (Note 1)
NET SALES.....	\$69,641,095.83	\$61,163,684.70
COST OF SALES (including depreciation—Note 3).....	55,311,763.80	47,628,024.49
Gross profit from operations.....	\$14,329,332.03	\$13,535,660.21
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES.....	4,025,745.79	3,412,500.82
Profit from operations.....	\$10,303,586.24	\$10,123,159.39
PURCHASE DISCOUNTS, INTEREST EARNED, ETC. (net).....	209,613.50	260,895.11
Balance before provision for Federal taxes on income and for renegotiation of war contracts.....	\$10,513,199.74	\$10,384,054.50
PROVISION FOR FEDERAL TAXES ON INCOME AND FOR RENEGOTIATION OF WAR CONTRACTS (less postwar refund of excess profits taxes of \$710,000 in 1944 and \$690,000 in 1943).....	7,850,000.00	7,700,000.00
Net profit for the year.....	\$ 2,663,199.74	\$ 2,684,054.50
PROVISION FOR WAR AND POSTWAR RESERVE.....	600,000.00	500,000.00
Balance carried to earned surplus.....	\$ 2,063,199.74	\$ 2,184,054.50
EARNED SURPLUS		
BALANCE AT BEGINNING OF YEAR.....	\$ 6,941,863.17	\$ 6,037,880.54
ADD—Balance of profit for year, as above.....	2,063,199.74	2,184,054.50
	\$ 9,005,062.91	\$ 8,221,935.04
DEDUCT:		
Cash dividends paid (\$1.50 per share).....	\$ 1,171,879.50	\$ 1,171,879.50
Settlement of renegotiation of war contracts for 1942.....	—	108,192.37
	\$ 1,171,879.50	\$ 1,280,071.87
BALANCE AT END OF YEAR.....	\$ 7,833,183.41	\$ 6,941,863.17

NOTES:

- (1) The statement of consolidated profit and loss for the year ended December 31, 1943 presented in the stockholders' report of that year has been restated above to give effect to (1) a provision of \$200,000 for tentative settlement for that year of renegotiation of war contracts which is subject to final approval by the War Department in Washington, D. C. and (2) a reduction of a like amount in the provision for war and postwar reserve. This did not change the balance of \$2,184,054.50 carried to earned surplus for that year. While it is impossible to determine what amount, if any, may be required for renegotiation of war contracts for 1944, a provision therefor has been charged to 1944 profit and loss and included in current liabilities in an amount considered to be adequate.
- (2) The company has filed or will file claims for relief from a portion of its excess profits tax for the years 1940 to 1944, inclusive, under Section 722 of the Internal Revenue Code. The effect of such claims has not been reflected in the accompanying financial statements, nor has any consideration been given thereto in determining the provision for Federal taxes on income for the current year.
- (3) The provisions for depreciation included in cost of sales amounted to \$1,481,305.67 and \$1,421,459.64 (including depletion of \$25,769.81 and \$38,965.16) for the years ended December 31, 1944 and 1943, respectively.

ARTHUR ANDERSEN & Co.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Stockholders of

Container Corporation of America:

We have examined the consolidated balance sheet of CONTAINER CORPORATION OF AMERICA and subsidiaries as of December 31, 1944, and the summaries of consolidated profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We made a similar examination for the year ended December 31, 1943.

In our opinion, the accompanying consolidated balance sheet and related summaries of consolidated profit and loss and surplus present fairly the position of the companies at December 31, 1944, and the results of their operations for the two years ended that date, in conformity with generally accepted accounting principles consistently applied during the two year period.

Chicago, Illinois,

February 5, 1945.

Arthur Andersen & Co.

New design and typography replace old-fashioned treatment of Ration K packages. Besides adding attractiveness, the surface decorations help to make the cartons less visible from the air when discarded by troops in the field.





Printed in the U. S. A.
R. R. Donnelley & Sons Company
Chicago, Illinois